

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00 /027 W  
----- 010972

R 130730Z FEB 75  
FM AMEMBASSY PRAGUE  
TO SECSTATE WASHDC 7607  
USDOC WASHDC  
INFO AMEMBASSY VIENNA

UNCLAS PRAGUE SECTION 1 OF 2 0314

COMMERCE FOR BEWT/TPD (THOMPSON)

VIENNA FOR USEWTC

E. O. 11652: N/A  
TAGS: BEXP, EIND, CZ  
SUBJECT: MARKET RESEARCH FOR BRNO '75

REF: A. PRAGUE 252  
B. VIENNA 423  
C. STATE 282477  
D. PRAGUE 273  
E. PURNELL-ELLIS O-I OF JANUARY 24, 1975.  
F. FARRAND-THOMPSON O-I OF FEBRUARY 6, 1975.

BEGIN SUMMARY.

THE MARKET FOR FOREIGN PROCESS CONTROL AND MATERIALS TESTING EQUIPMENT IN CZECHOSLOVAKIA HAS BEEN GROWING AT A HEALTHY RATE (14 PERCENT ANNUALLY) OVER PAST THREE YEARS AND SHOULD CONTINUE TO DO SO AS ECONOMY GEARS UP FOR SIXTH FIVE-YEAR PLAN PERIOD (1976-1980). THIS REPORT IS IN BASIC AGREEMENT WITH CONCLUSIONS REACHED IN PROVISIONAL MARKET STUDY PREPARED BY USEWTC, VIENNA; COMMENTS AND STATISTICS INCLUDED HEREIN ARE KEYED TO THAT STUDY. THE RESULTS OF EMBASSY INTERVIEWS WITH CZECHOSLOVAK FTO'S AND GOVERNMENT MINISTRIES WERE DISAPPOINTING IN THAT NOT MUCH IN WAY OF HARD, NEW DATA WAS OBTAINED; HOWEVER, KOVO FTO DID FINALLY  
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INDICATE ON USDOC LIST OF PCMTI CATEGORIES THOSE

PRODUCT ITEMS FOR WHICH BUYING INTEREST IS LIKELY TO EXIST AMONG CZECHOSLOVAK INDUSTRIAL END-USERS. THESE ITEMS ARE ENUMERATED IN FINAL PARAGRAPH. IN SUM, EMBASSY IS IN COMPLETE AGREEMENT WITH SELECTION OF PCMTI AS PRODUCT THEME FOR USATECH '75 AT BRNO.

END SUMMARY.

1. ALL DATA AND COMMENTS HEREIN ARE KEYED TO PARAGRAPHS IN EWTC PROVISIONAL MARKET STUDY FOR PCMTI TRANSMITTED TO BEWT/TPD AS ENCLOSURE TO REF F, UNLESS OTHERWISE INDICATED. IN MOST CASES WHERE STATISTICS ARE CITED THEY REPRESENT MORE CURRENT DATA THAN THOSE INCLUDED IN EWTC STUDY.

2. MARKET TRADE STATISTICS (SUMMARY):

TABLE 2. U.S. EXPORTS TO CSSR(DOLLARS)

| SITC NUMBERS | 1974 (10 MONTHS) |
|--------------|------------------|
|--------------|------------------|

|        |           |
|--------|-----------|
| 729.52 | \$656,413 |
|--------|-----------|

|            |         |
|------------|---------|
| 861.97,8,9 | 585,656 |
|------------|---------|

|       |             |
|-------|-------------|
| TOTAL | \$1,242,069 |
|-------|-------------|

SOURCE: USDOC/TAD MONTHLY TRADE STATISTICS REPORT.

NOTE: EXCLUDED FROM THE ABOVE DATA WERE ANY PRODUCT CATEGORIES INVOLVING METEOROLOGICAL, GEOPHYSICAL PROSPECTING AND PHOTOGRAPHIC EXPOSURE INSTRUMENTS, EVEN THOUGH THESE MAY HAVE FALLEN WITHIN BROAD SITC GROUPINGS CITED.

3. BASED ON THEN MONTHS OF 1974, ANNUAL(STRAIGHT-LINE) PROJECTIONS OF ABOVE DATA RESULT IN FOLLOWING ESTIMATES OF U.S. EXPORTS FOR BOTH PCMTI CATEGORIES:

| SITC NUMBERS | 1974 (EST.) | 1974/73 |
|--------------|-------------|---------|
|--------------|-------------|---------|

|        |           |                    |
|--------|-----------|--------------------|
| 729.52 | \$788,000 | MINUS 17.3 PERCENT |
|--------|-----------|--------------------|

|            |           |                   |
|------------|-----------|-------------------|
| 861.97,8,9 | \$703,000 | PLUS 44.6 PERCENT |
|------------|-----------|-------------------|

|             |             |                  |
|-------------|-------------|------------------|
| GRAND TOTAL | \$1,491,000 | PLUS 3.4 PERCENT |
|-------------|-------------|------------------|

SINCE SHIPMENTS ARRIVING FROM ABROAD NORMALLY TEND TO INCREASE IN FINAL MONTHS OF YEAR AS EXPORTERS STRIVE

TO MEET END-OF-YEAR DELIVERY DEADLINES IMPOSED BY CZECHOSLOVAK FTO'S, ABOVE ESTIMATES OF 1974 U.S. UNCLASSIFIED

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EXPORTS OF PCMTI TO CSSR PROBABLY UNDERSTATE TOTAL VALUE OF SUCH SHIPMENTS BY SIZEABLE MARGIN.

4. A) CZECHOSLOVAK IMPORTS(MILLIONS OF DOLLARS): PROFESSIONAL, SCIENTIFIC AND CONTROLLING INSTRUMENTS (SITC CODE 86).

|  | 1973 | 1973/72 |
|--|------|---------|
|--|------|---------|

|               |        |                   |
|---------------|--------|-------------------|
| TOTAL IMPORTS | \$55.6 | PLUS 19.4 PERCENT |
|---------------|--------|-------------------|

OF WHICH FROM WEST 16.0 PLUS 19.5 PERCENT  
FROM SOCIALIST COUNTRIES 39.6 PLUS 19.4 PERCENT  
B) CZECHOSLOVAK EXPORTS(MILLIONS OF DOLLARS):

|                        | 1973   | 1973/72            |
|------------------------|--------|--------------------|
| TOTAL EXPORTS          | \$43.9 | PLUS 7.0 PERCENT   |
| OF WHICH TO WEST       | 9.1    | PLUS 15.9 PERCENT  |
| TO SOCIALIST COUNTRIES | 34.8   | MINUS 11.6 PERCENT |

SOURCE: FACTS ON CZECHOSLOVAK FOREIGN TRADE, 1974.  
NOTE: EXCHANGE RATE HAS BEEN CALCULATED AT 11.04  
CZECH CROWNS(KCS.) PER U.S. DOLLAR TO MAINTAIN  
COMPARABILITY WITH EWTC STUDY FIGURES. STANDARD  
PRACTICE WOULD BE TO USE OFFICIAL PARITY RATE WHICH  
FOR 1973 WAS 5.68 KCS TO ONE DOLLAR. SINCE  
CALCULATIONS ARE BASED ON OFFICIAL CZECH CROWN  
FIGURES, OBSERVED TRENDS WOULD NOT IN EITHER CASE  
BE AFFECTED BY EXCHANGE RATE, ONLY MAGNITUDE OF  
ABSOLUTE VALUES WHICH, FOR THIS REASON, ARE PROBABLY  
SOMEWHAT UNDERSTATED IN EWTC STUDY.

##### 5. SUMMARY OF MARKET SIZE AND TRENDS OF INTERNATIONAL TRADE.

TOTAL PCMTI IMPORTS ACCELERATED IN 1973 OVER 1972,  
GROWTH RATE OF 19 PERCENT BEING EQUALLY DIVIDED BETWEEN  
SOCIALIST AND WESTERN SOURCES. U.S. EXPORTS OF PCMTI  
TO CZECHOSLOVAKIA GREW BETWEEN 3 - 5 PERCENT IN 1974,  
DOWN FROM A MUCH HIGHTER AVERAGE ANNUAL GROWTH RATE  
(40 PERCENT) DURING PREVIOUS TWO YEARS. GIVEN A  
FURTHER FIVE PERCENT GROWTH RATE IN U.S. PCMTI EXPORTS  
THIS YEAR, TOTAL SALES IN CSSR COULD EQUAL \$1,565,000  
(AT 1973 PRICES) AND PERHAPS CONSIDERABLY MORE,  
DEPENDING ON SEVERAL FACTORS NOT ALL OF WHICH LEND  
THEMSELVES TO PURE MARKET ANALYSIS, E.G., POSSIBLE  
ADVERSE POLITICAL REACTION TO TRADE ACT OF 1974, AND  
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EFFECTS OF ECONOMIC DECLINE IN WEST. (NOTE: THE  
EMBASSY ESTIMATE OF TOTAL U.S. EXPORTS OF PCMTI  
TO CSSR IN 1975 IN NO WAY CONTRADICTS EWTC STUDY'S  
ESTIMATE OF U.S. POTENTIAL SHARE OF CSSR PCMTI  
MARKET.)

##### 6. CZECHOSLOVAK PRODUCTION AND EXPORTS.

CZECHOSLOVAKIA IMPORTED 27 PERCENT MORE PCMTI IN  
1973 THAN IT EXPORTED AND THIS TREND PROBABLY  
CONTINUED IN 1974 BECAUSE OF HIGHER PRICES IN WEST  
AND CONTINUING NEED FOR SUCH DEVICES AND EQUIPMENT  
ACROSS A BROAD RANGE OF DOMESTIC INDUSTRIES.  
EMBASSY CAN NEITHER ADD TO NOR IMPROVE ON  
PRODUCTION INFORMATION CONTAINED IN EWTC STUDY.

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00 /027 W

----- 011760

R 130730Z FEB 75

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 7608

USDOC WASHDC

INFO AMEMBASSY VIENNA

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#### 7. MARKET OUTLOOK.

1. MARKET INDICATORS. COMMERCE MAY WISH TO SUBSTITUTE FOR FIGURES CONTAINED IN TABLE ON PAGE 9 OF EWTC STUDY, COMPARABLE DATA CONTAINED IN REFTTEL D. BEYOND THIS, REMAINDER OF SECTION IN EWTC REPORT IS ACCURATE SUMMATION OF WHAT IS KNOWN ABOUT EXPANSION PLANS THROUGHOUT CZECHOSLOVAK INDUSTRY.

#### 8. PRODUCT RECOMMENDATIONS.

REPRESENTATIVE OF KOVO FTO TOLD EMBOFF THAT U.S. PCMTI CONTINUES TO HAVE VERY HIGH REPUTATION IN CSSR. SPECIFICALLY, U.S. REMAINS UNCHALLENGED AS PRODUCER OF TECHNOLOGICALLY SUPERIOR PCMTI FOR USE IN PULP AND PAPER INDUSTRY. IN KOVO'S OPINION, HOWEVER, U.S. PCMIT HAS SLIPPED IN CHEMICAL, PETROCHEMICAL AND ELECTRICAL GENERATION INDUSTRIES. (SIEMANS AND BROWN-BOVERI ARE NOW MORE HIGHLY RESPECTED AS PCMTI PRODUCERS IN LATTER SPHERES.) IN GLASS AND CERAMICS INDUSTRIES, U.S. REMAINS AMONG TOP PCMTI PRODUCERS IN KOVO'S ESTIMATION. KOVO REPRESENTATIVE ADDED SOMEWHAT SURPRISINGLY THAT ONE PROBLEM CONCERNS FACT THAT U.S. PCMTI IS OFTEN TOO ADVANCED TECHNOLOGICALLY FOR APPLICATION IN MANY CZECHOSLOVAK INDUSTRIES; ESPECIALLY WHEN IT IS DESIGNED FOR SCALE OF PRODUCTION FAR LARGER THAN EXISTS IN CSSR. THIS NOT ONLY MEANS HIGHER INSTALLATION COSTS, BUT OFTEN RESULTS IN EXPENSIVE EQUIPMENT BEING OPERATED AT LESS THAN CAPACITY OR SUFFERING LONG PERIODS OF IDLENESS.

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9. PRODUCT RECOMMENDATIONS (CONT'D):

AN INTERVIEW AT SLUZBA VYZKUMU, AN INSTITUTE OPERATING UNDER WING OF FEDERAL MINISTRY OF TECHNOLOGICAL AND INVESTMENT DEVELOPMENT (FMTID) WHICH PURCHASES SMALL TO MEDIUM-SIZED ITEMS OF TECHNICAL EQUIPMENT FOR RESEARCH AND DEVELOPMENT INSTITUTES THROUGHOUT CZECHOSLOVAKIA, RESULTED IN FEW CONCRETE PRODUCT RECOMMENDATIONS BUT FOLLOWING GENERAL POINTS SHOULD BE OF INTEREST. SLUZBA VYZKUMU IS OF OPINION THAT U.S. SUPPLIERS HURT THEIR COMMERCIAL PROSPECTS BY INSISTING ON LETTERS OF CREDIT IN CLOSING DEALS WITH CZECHOSLOVAK FOREIGN TRADE ORGANIZATIONS. SINCE MOST CZECH ENTERPRISES ARE ALWAYS STRAPPED FOR FUNDS, THEY ARE EXTREMELY RELUCTANT TO TIE UP LIMITED RESERVES IN TIME-CONSUMING LETTER OF CREDIT PROCESS. SINCE CZECHOSLOVAK COMMERCIAL BANK MUST APPROVE ALL PURCHASES IN ADVANCE ANYWAY, FULL FAITH AND CREDIT OF GOVERNMENT IS NECESSARILY INVOLVED WHICH SHOULD RELIEVE FEARS OF U.S. SUPPLIERS OVER POSSIBILITIES OF NON-PAYMENT. EUROPEAN FIRMS UNDERSTAND THIS, AND THUS ENJOY COMPETITIVE ADVANTAGE IN SELLING TO CZECHOSLOVAK ENTERPRISES.

10. SLUZBA VYSKUMU OFFICIAL WENT ON TO SAY THAT CAREFUL ATTENTION TO PCMTI SPARE PART PROBLEM IS KEY TO MARKET PROSPECTS IN CSSR. HE SUGGESTED THAT U.S. FIRMS SHOULD LOOK INTO POSSIBILITY OF ENGAGING LOCAL INSTITUTES FOR IN-COUNTRY TRAINING OF SPECIALISTS IN FIRM'S SERVICING TECHNIQUES AND TO SERVE AS SPARE PARTS STORAGE OUTLETS. (THIS POINT SPEAKS TO MAJOR MARKETING PROBLEM FOR U.S. SUPPLIERS DESCRIBED IN SECTION D, 2 (RECOMMENDATIONS) OF EWTC REPORT CONCERNING LACK OF SALES/SERVICE REPRESENTATION IN CZECHOSLOVAKIA.)

11. SPECIFIC PRODUCTS RECOMMENDATIONS.

DESPITE SEVERAL INTERVIEWS WITH APPROPRIATE FTO'S AND GOVERNMENT MINISTRIES, EMBOFFS WERE UNABLE TO SECURE A RANKING OF PCMTI PRODUCTS INTO HIGHEST, GOOD AND NO SALES POTENTIAL CATEGORIES. INSTEAD,

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KOVO PROVIDED US SOMEWHAT RELUCTANTLY WITH FOLLOWING UNDIFFERENTIATED LISTING OF PCMTI CATAGORIES IN WHICH

INTEREST MAY EXIST AMONG CZECHOSLOVAK INDUSTRIAL

END-USERS:

A. SENSORS, TRASDUCERS, HARDWARE.

A. TEMPERATURE

THERMOMETERS (ALL CATEGORIES)

PYROMETERS (ALL CATEGORIES)

B. PRESSURE/VACUUM.

PIEZOELECTRIC DEVICES

IONIZATION GAUGES

C. FLOW.

ANEMOMETERS

SONIC FLOWMETERS

MASS FLOWMETERS

POSITIVE DISPLACEMENT METERS

D. LIQUID LEVEL.

PIEZOELECTRIC TRANSDUCERS

PHOTOCELLS

E. DENSITY.

RADIATION ABSORPTION DETECTORS

REFRACTOMETERS

DESNITOMETERS

F. THICKNESS, VELOCITY, OTHER VARIABLES

ULTRASONIC RESONANCE GAUGES

BETA/GAMMA/S-RAY ABSORPTION METERS

INFRARED RADIATION GAUGES

H. HUMIDITY

GYGROSCOPIC ANALYZERS

I. MOISTURE CONTENT OF SOLIDS

RESISTANCE METERS

INFRARED ANALYZERS

MICROWAVE GAUGES

J. CONDUCTIVITY

REFERENCE CELLS

CONDUCTIVITY CELLS

K. MATERIAL COMPOSITION

ALL CATEGORIES, EXCEPT TITRATORS

L. OPTICS, OTHER MATERIAL PROPERTIES

SPECTROPHOTOMETERS

TURBIDIMETERS

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3. TRANSMITTERS

A. BY APPLICATION (ALL CATEGORIES)

B. BY MODE OF OPERATION

ELECTRIC/ELECTRONIC ONLY (ALL CATEGORIES)

4. CONTROLLERS (ANALOG)

A. BY APPLICATION (ALL CATEGORIES)

C. BY FUNCTIONAL CHARACTERISTICS (ALL CATEGORIES)

D. BY MODE OF OPERATION (ALL CATEGORIES)

5. MONITORS, DATA LOGGERS, AND ALARMS

(ALL CATEGORIES)

6. RECORDERS, READOUTS (NOT INDICATORS)

A. BY APPLICATION (ALL CATEGORIES)

8. FINAL CONTROL ELEMENTS

A. VALUES

ACTUATORS (ALL CATEGORIES)

POSITIONERS (ALL CATEGORIES)

REGULATORS (AL CATEGORIES)

SOLENOIDS

B. OTHER

SWITCHES ONLY

SYSTEMS

1. MEASURING AND CONTROL

A. BY FUNCTIONAL CHARACTERISTICS RATION

(CASCADE)

C. BY OPERATIONAL CHARACTERISTICS

ANALOG

DIGITAL

(ALL CATEGORIES)

2. MONITORING (ALL CATEGORIES)

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS, TRADE DATA  
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**Decaption Date:** 01 JAN 1960  
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**Review Authority:** CunninFX  
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